



**HEARING BEFORE THE  
COMMITTEE ON APPROPRIATIONS**

**SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, AND  
EDUCATION, AND RELATED AGENCIES**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**FEBRUARY 16, 2005**

**STATEMENT BY JO ANNE B. BARNHART  
COMMISSIONER  
SOCIAL SECURITY ADMINISTRATION**

**ACCOMPANIED BY:  
DALE W. SOPPER  
DEPUTY COMMISSIONER  
FOR FINANCE, ASSESSMENT AND MANAGEMENT**

Mr. Chairman and members of the Committee, I am pleased to be here today to present the fiscal year (FY) 2006 appropriation requests of the Social Security Administration (SSA). I appreciate the Committee's interest in and support of SSA in the past, and I look forward to continuing to work with you.

### **Overview of SSA's Programs and Overall Budget**

I will begin by providing you with a brief overview of SSA's mission and overall budget. SSA advances the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's social security programs. These programs include Old-Age and Survivors Insurance and Disability Insurance, commonly referred to as Social Security, and Supplemental Security Income (SSI). SSA also provides service delivery support to the Medicare, Medicaid, Black Lung, Railroad Retirement, and Food Stamp programs. Our budget request is driven by our Agency Strategic Plan, which focuses on four strategic goals: service, stewardship, solvency and staff.

For FY 2006, SSA will spend \$574 billion to pay monthly benefits to more than 53 million people. SSA's administrative expenses, driven by the size of the programs we administer – both in terms of the amount of work we do and the number of people we need to do it – are less than 2 percent of total outlays.

SSA has four appropriations requests before this Committee, totaling \$50 billion: Limitation on Administrative Expenses, Office of the Inspector General, Supplemental Security Income, and Payments to the Social Security Trust Funds. Social Security trust fund benefit payments are permanently appropriated, and therefore, are not part of the budget requests before this Committee. However, it is important to note that the administrative resources that SSA needs in order to pay Social Security benefits are part of the appropriation requests that we are asking you to support.

Let me give you a sense of the vast number of tasks that our dedicated employees will perform in FY 2006. We will process over 8 million claims for benefits; issue 17 million new and replacement Social Security cards after obtaining and evaluating evidence of identity; process 264 million earnings items for workers' earnings records; handle approximately 58 million transactions through SSA's 800-number; issue 140 million Social Security Statements which provide individuals with a personal record of earnings on which they have paid Social Security taxes and estimates of future Social Security benefits; adjudicate appeals of Agency decisions; process millions of actions to keep beneficiary and recipient records current and accurate; and conduct continuing disability reviews (CDR) and non-disability redeterminations to avoid improper payments to Social Security and SSI beneficiaries if factors affecting their eligibility or monthly benefit amount have changed.

### **President's Request for SSA's Limitation on Administrative Expenses**

The President's budget includes \$9.403 billion for SSA's Limitation on Administrative Expenses (LAE). This is less than 2 percent of total estimated outlays of approximately \$586 billion under current law, and an increase of \$670 million in discretionary budget authority from our FY 2005 appropriation. This budget places a priority on service to claimants, beneficiaries, and taxpayers, for which adequate funding is critical.

The requested increase is needed to provide the salaries and benefits, facilities, computer and telecommunications equipment, and training required to deliver service to the American public.

Approximately 68 percent of our administrative resources are used for personnel costs. Due to mandatory increases in these costs, such as annual Federal employee pay raises and benefit and retirement cost increases, the requested increase is absolutely necessary to maintain a stable level of effort for SSA's traditional workloads.

With the President's budget, SSA will be able to keep up with growing core workloads, over which SSA has no control, including the recent increase in disability claims. SSA will continue to reduce the time it takes to process a claim for disability benefits. The Agency will meet its new responsibilities under the Social Security Protection Act and the Medicare Modernization Act (MMA). Further, SSA will prepare for the future through service investments, such as continuing the implementation of our electronic disability project (eDib).

Almost half of the requested increase will be used to fund SSA's ongoing work related to Medicare modernization, in particular, the Medicare prescription drug program. When it passed the MMA in 2003, Congress included \$500 million for SSA's initial implementation of the Act, to be used in FY 2004 and FY 2005. SSA used \$54 million of that funding in FY 2004 and expects to use the remaining \$446 million in FY 2005. However, our responsibilities extend into FY 2006 and beyond. The FY 2006 President's budget for SSA's LAE account includes resources to continue this activity, consistent with the enacted legislation.

SSA will meet its responsibility to be a good steward of taxpayer dollars by conducting CDRs and SSI redeterminations to improve program integrity and reduce improper payments. Further, SSA will provide actuarial analysis, strengthened research and policy development capability, and appropriate public education to support achieving sustainable solvency.

SSA plans to obtain efficiencies through automation, electronic service delivery and/or process change, amounting to a 2 percent productivity gain at the Agency level. SSA will maintain its green status on four out of five PMA initiatives, work to get to green on the remaining one, and use Program Assessment Rating Tool recommendations to achieve improved results. Additionally, we are working on the Administration's recent initiative to address improper payments.

SSA is an agency committed to technology and innovation, but it is also an agency which believes that its devoted employees are the heart of its success. SSA has made excellent progress towards meeting its goals, but still has a long way to go. This budget provides the Agency with sufficient resources to support its workforce: the men and women who are faithfully serving the American public.

Mr. Chairman, for your Subcommittee, this request represents an increase in discretionary budget authority of \$670 million for SSA's LAE appropriation. I realize that this looks like a large increase to you. However, please consider that when Congress passed the MMA in 2003, \$500 million was included for SSA for its MMA implementation responsibilities in FY 2004 and FY 2005. In FY 2006, however, the President is requesting resources for SSA to perform ongoing work associated with MMA as part of the LAE appropriation. If you look at the increase in budget authority for traditional SSA workloads only, the President has requested a 4 percent increase. As I've said before, this increase is vital to our ability to provide adequate service to claimants, beneficiaries, and taxpayers.

### **SSA's Recent Accomplishments**

In FY 2004, SSA made benefit payments monthly to over 51 million people for an annual total of over \$521 billion. In addition to carrying out this responsibility, SSA has made progress in meeting a wide range of challenges despite tough choices required to operate within appropriated resources.

SSA is continuing its implementation of eDib, which will significantly reduce processing times and contribute to improved decisional accuracy for initial disability claims and hearings. SSA made the commitment to implement eDib, and we are meeting that commitment – on time and on budget.

SSA is improving service delivery by offering safe and convenient online transactions such as filing claims, submitting changes of address or direct deposit information, requesting replacement Medicare cards, and verifying benefits. In addition, Social Security is providing better service for the business community by automating employer wage reporting. This increases our efficiency. In FY 2004, 60 percent of all employee wage reports (W-2s) were filed electronically, compared to 27 percent in FY 2001, just three years earlier. Another notable achievement – in just one year, we saw a 47 percent increase in the number of applications for Social Security benefits submitted online – from 148,000 in FY 2003 to 217,000 in FY 2004.

SSA increased productivity by 2.1 percent in FY 2004. Further, in FY 2001, the Appeals Council processing time was 447 days. By the end of FY 2004, it was 251 days – a reduction of almost 200 days. Additionally, in FY 2001, it took 106 days on average to process an initial disability claim, and in FY 2004, it took 95 days – an improvement of 11 days.

SSA continues to be a leader in effective management, as shown by our green status scores in four of the five President's Management Agenda (PMA) items: Improved Financial Management, Strategic Management of Human Capital, Budget and Performance Integration and Expanded Electronic Government.

I would now like to address five key areas in SSA's FY 2006 budget.

### **Achieving our Service Delivery Goals in the Face of Growing Workloads**

SSA strives to deliver high-quality, citizen-centered service to every claimant, beneficiary, and American taxpayer. SSA's daily work affects the lives of millions of people, and the employees of SSA are very much aware of the impact their work has on those individuals and families. Commendably, the Agency's employees are producing results amidst significant growth in core workloads due to America's changing demographics.

The President's budget supports our service delivery goals by providing resources to maintain staffing, continue to improve service in the disability programs, expand SSA's online service options, perform new duties associated with the Medicare prescription drug program and the Social Security Protection Act, and handle the millions of transactions necessary to keep up with the Agency's day-to-day workloads.

One of SSA's highest priorities is to improve service to the public in the disability programs, from the initial claim through the final administrative appeal. In FY 2006, we will meet our commitment to process as many initial disability claims as we receive, keeping the number of pending cases level. SSA will address hearings backlogs by continuing to provide resources for

Administrative Law Judge (ALJ) hiring, and also continuing to improve productivity, resulting in more cases processed. Additionally, we will accomplish all of this while maintaining the accuracy of our decisions.

In order to make immediate service and efficiency improvements in the hearings workload, SSA is expanding video teleconference (VTC) hearings and marketing this new technology to claimants and their representatives. With VTC hearings, the claimant does not have to travel a long distance and the hearing can be held sooner, resulting in a more timely decision. ALJs are more productive when less time is required for travel to remote sites. VTC hearings also facilitate workload transfers and significantly broaden the pool of experts available for expert testimony at hearings. In FY 2004, with capacity in approximately 160 hearings rooms, we held about 8,000 hearings using VTC. In the first 4 months of FY 2005 alone, we've already held close to 5,400 VTC hearings. By the end of FY 2006, SSA plans to have equipped every hearing room with VTC, for a total of over 360 systems in place.

### **Investing in Technology and Implementing an Electronic Disability Claims Process**

SSA places a high priority on information technology investments. Our FY 2006 budget authority for information technology is increasing from \$370 million to \$494 million, an increase of \$124 million. SSA plans to invest in infrastructure and office automation necessary for the support of ongoing operations, including maintenance of SSA's National Computer Center, telephone services, and hardware and software nationwide.

The most notable strategic investment is eDib, a major Agency initiative that will move all components involved in disability claims adjudication and review to an electronic business process through the use of an electronic disability folder. EDib is expected to reduce processing times significantly over the long term. Implementation began in January 2004, and the project is truly revolutionizing the way we do work. EDib is essential for making changes for the long-term. To date, SSA has begun implementation of the electronic disability folder in 30 States, Puerto Rico, and the Federal Disability Determination Service, and expects to complete implementation in all States in FY 2006.

Claimants can now visit SSA online at [www.socialsecurity.gov](http://www.socialsecurity.gov) to submit disability information, which is used in the adjudication of their cases. Further, the Agency has begun using an electronic version of the authorization to release medical records, and is moving towards an electronic system to receive medical evidence. Once we have rolled out eDib to all States, SSA will have the largest repository of medical records in the world, and we will see real progress in eliminating avoidable delays in the disability claims process.

Signature proxy is another major Agency initiative underway that will improve benefit application services to claimants who file online, by phone, or in person. This process removes the requirement for a "wet" signature on benefit applications and continues the Agency's progress to a totally electronic environment. For online applicants, clicking a "sign now" button at the end of the application constitutes a valid signature. For people applying for benefits by phone or in person, claims representatives ask them to verify that they are filing for benefits and understand the penalty for giving false information. The applicant's response is added to the electronic claims record. In all cases, certain proofs, such as birth and marriage certificates, evidence of earnings, and medical evidence for disability claims, are still required to determine if a claimant is eligible for benefits. Signature proxy continues Social Security's progress toward a totally electronic claims process.

In addition to applications for benefits, other online services allow current beneficiaries to check their benefits, enter changes to their address or direct deposit information, and obtain replacement 1099s and proof of income letters. In FY 2004, usage of our Internet transactional services increased by over 80 percent from FY 2003. In FY 2006, we will further expand the usage of these services by focusing on improving their usability, encouraging the public to use SSA's Internet website, and partnering with other Federal, State and local entities to promote consolidated service delivery. SSA has invested substantially in electronic service delivery and will continue to do so as a critical means of providing service to millions of baby boomers.

### **Ensuring the Integrity of SSA's Programs**

SSA's mission demands that we balance our commitment to service with our obligation to be good stewards of the programs we administer. We fulfill this obligation through cost-effective program integrity work such as CDRs, periodic non-disability redeterminations, overpayment collections, and strengthened management of our programs. Overall, these activities will reduce the Federal deficit in 2006 and beyond.

This budget supports SSA's efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include significant budget investments in CDRs and SSI non-disability redeterminations, as well as increased emphasis on the use of computer matches to identify and prevent overpayments. In FY 2006, SSA will process 2.1 million redeterminations.

The President's budget proposes \$601 million in dedicated administrative funding for cost-effective CDRs in FY 2006. Further, the President's budget proposes that discretionary spending caps be reinstated in any budget reform legislation that Congress considers. If caps are reinstated, the President proposes to adjust the caps for program integrity work, including \$189 million of SSA's CDR funding. I know the Committee is familiar with the cap adjustment for CDRs under the previous discretionary spending caps. In FY 2005, SSA will process 1.4 million CDRs, and in FY 2006, SSA will process 1.6 million. These reviews result in \$10 in program savings for every \$1 in administrative cost.

SSA has significant new responsibilities as a result of the Social Security Protection Act (SSPA), designed to combat fraud and improve program management. Many of the new responsibilities relate to the representative payees that SSA appoints for individuals who are incapable of managing or directing the management of their benefits. The SSPA strengthens SSA's oversight and control of these individuals and organizations. Its provisions place stricter requirements on representative payees and hold dishonest payees who misuse benefits liable for their actions.

In addition, the SSPA requires SSA to issue a receipt to disabled beneficiaries each time they report their work and earnings. It extends to Title II the current Title XVI prohibition on paying benefits to persons fleeing prosecution, custody, or confinement after conviction and to persons violating probation or parole. It closes the Government Pension Offset loophole and requires SSA to send a modified Social Security Statement to non-covered employees that describes the potential benefit reductions that may result from the receipt of a Federal, State, or local Government pension based on non-covered employment. The Act also authorizes cross-program recovery of overpayments paid under one program from the benefits paid under another program.

This budget also supports SSA's long-term effort to combat SSN misuse and identity theft. The Agency has taken many steps to strengthen its capability to prevent those with criminal intent from obtaining Social Security cards for fraudulent purposes. SSA verifies immigration documents for all non-citizens with the Department of Homeland Security and verifies refugees' documents with the Department of State. SSA is also implementing provisions of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458) which place limitations on the number of replacement Social Security cards an individual may request. Additionally, based on the positive evaluation of the Brooklyn Social Security Card Center, SSA plans to establish a card center in Las Vegas in FY 2005, and is evaluating further expansion in other metropolitan areas, dependant on overall service delivery needs and available resources.

### **Administering the Medicare Prescription Drug Program**

SSA's service delivery efforts will also focus extensively on its ongoing responsibilities under the MMA, related to the prescription drug program premiums and subsidies. SSA will identify low-income beneficiaries who might be eligible for drug benefit subsidies, make low-income subsidy determinations, withhold premiums appropriate to beneficiaries' selected plans, and calculate Part B premiums for high-income beneficiaries.

In 2003, Congress provided funding for SSA's initial MMA implementation in FY 2004 and FY 2005. However, our responsibilities extend into FY 2006 and beyond. The majority of SSA's costs for these significant new Medicare workloads will be associated with the employees needed to handle them. SSA has already begun to hire additional front-line staff needed to process the new workloads in FY 2005, and this budget provides the resources needed to support this new staff in FY 2006.

### **Increasing SSA's Overall Productivity**

In FY 2004, once again we exceeded our Agency-wide productivity goal. We achieved a 2.1 percent increase in productivity, due largely to the dedication of our employees. Considering that we had a 5.1 percent increase in productivity in FY 2002 and a 2.1 percent increase in FY 2003, our continued success in achieving productivity improvements is even more noteworthy. Our goal for FY 2006 is to again obtain efficiencies through automation, electronic service delivery and/or process change, amounting to a 2 percent productivity gain at the Agency level.

SSA has a number of technology-related initiatives underway to improve productivity, including: eDib, enhanced Internet applications, signature proxy, improvements to the earnings process, 800-number enhancements, and further automation of our SSI systems. Further, we have several management and policy initiatives underway to improve productivity, including instituting centralized screening units in the Office of Hearings and Appeals and implementing our new cross-program recovery authority.

### **Other FY 2006 Appropriation Requests**

I would like to turn now to a brief summary of the other appropriation requests for FY 2006.

### Office of the Inspector General

\$93 million for the Office of the Inspector General (OIG) – Since becoming an independent agency in March 1995, we have had our own Inspector General whose mission is to protect the integrity of SSA's programs. A strong OIG, working together with SSA employees in local offices, is the most effective means we have to detect and prevent fraud and abuse in the programs we administer. A strong OIG also is essential given the need to continue working with law enforcement in conjunction with homeland security efforts.

The request for FY 2006 represents a \$3 million increase in resources from the FY 2005 appropriation. This increase covers mandatory payroll-related costs such as Federal pay raises and benefit rate increases. The increase allows OIG to maintain its current staffing level to adequately continue its stewardship activities and Homeland Security responsibilities, including participation in anti-terrorism task forces. With the resources included in this request, OIG will continue major initiatives focusing on key areas such as SSN misuse, disability fraud (through the Cooperative Disability Investigations program), and expanded ability to impose civil monetary penalties against violators as result of enactment of the SSPA.

### Supplemental Security Income

\$41 billion for the Supplemental Security Income (SSI) Program – The SSI program ensures a minimum monthly level of income to eligible aged, blind, and disabled individuals. An individual's income, resources, and living arrangements are evaluated to determine the monthly SSI payment. This request includes \$38 billion for Federal benefit payments to approximately 7 million aged, blind, and disabled beneficiaries and \$3 billion to reimburse the Social Security trust funds for SSI administrative expenses, \$52 million to provide for vocational rehabilitation services, and \$27 million to fund extramural research and demonstration projects.

This represents a decrease of \$594 million or 1.4 percent from FY 2005. Estimates of current benefits are driven by the number of recipients eligible for monthly payments and the amount of the monthly payments. Even though the number of recipients will increase by 199,000, the benefit payments will decrease because fewer monthly payments will be made in FY 2006 compared to FY 2005. SSI monthly payments are normally paid on the first of the month. However, when the first of the month is on a weekend or holiday, the payment is made on the preceding business day. Monthly payments will total 13 in FY 2005 and 12 in FY 2006.

### Payments to the Social Security Trust Funds

\$20.5 million for Payments to the Social Security Trust Funds – This request will serve to reimburse the Social Security trust funds for the costs of certain benefits and administrative expenses. This represents an increase of \$16,000.

### **Conclusion**

The President's FY 2006 administrative budget for SSA, including \$9.403 billion for LAE and \$93 million for the Inspector General will provide the resources to help us: maintain service in the face of growing workloads; fully implement an electronic disability claims process; continue to increase overall productivity; ensure the ongoing stewardship of our programs; and, help administer the Medicare prescription drug plan.



I am proud of our record of accomplishment in management of the Social Security Administration. We've earned the highest status score – green – on the President's Management Agenda in four of the five initiatives: improved financial management; strategic management of human capital; expanded electronic government; and, budget and performance integration. In a letter to Federal employees at the end of January, OMB Deputy Director for Management Clay Johnson highlighted SSA as one of the most successful Agencies at instilling the management disciplines and habits that are part of the PMA. SSA is one of only four Federal agencies to have four green status scores and no red status scores; no agency has yet scored green on all five initiatives.

We have received unqualified opinions on our financial statements since 1994 and the Association of Government Accountants Certificate of Excellence in Accountability Reporting for the past six years. We received the Microsoft Government Solutions Award in the Government to Citizen category at the first-ever Microsoft Solution Recognition Awards Ceremony. We were recognized for "effective use of Information Technology in helping government perform its mission more effectively or provide superior service to citizens." The award specifically cited the Internet Social Security Benefit Applications. A congressional report card rates Social Security's computer security efforts among the best in the Federal Government. SSA has been among the top-ranking government agencies in each of the four years the report has been issued, twice earning the top grade of all Federal agencies.

SSA's service and accomplishments are recognized by the President, other Federal agencies, numerous associations and companies, as well as the public we serve. In the annual University of Michigan Public Satisfaction Survey, which measures household consumption experience provided by 70 Federal agencies, SSA was in the top ten percent for 2004, receiving a satisfaction score of 81 percent from retirement benefit recipients. The Federal Government's overall satisfaction score last year was 72.1 percent.

Today, I've explained the progress we've made, our plans for the future, and the recognition SSA has received. Clearly, I am very proud of our successes, and I believe they prove that we manage our resources well. However, I would be remiss if I did not give credit to the more than 65,000 SSA employees and 14,500 State DDS employees who truly are the best in Government. Their dedication to serving the public effectively and efficiently, and doing so with compassion, is unmatched. Nevertheless, I know, and our employees know, that we cannot rest on our accomplishments. We must continually strive for improvement. The FY 2006 President's budget for SSA will allow us to maintain stable staffing to meet the performance goals outlined in the budget justification provided to you, and to help implement the Medicare prescription drug program.

Thank you for the opportunity to present SSA's budget request to the Committee. In addition to serving as a steward of the public's funds, Social Security, unlike most Federal agencies, provides direct service to the American public. In FY 2004, we made payments to over 51 million people each month, and we served approximately 28 million visitors to our more than 1,300 field offices in communities across America.

Although I recognize that there are many competing priorities, I believe the Social Security Administration deserves your full support. I look forward to working with you and appreciate your continued support of our programs and people.

**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Payments to Social Security Trust Funds**

The fiscal year (FY) 2006 appropriation request for Payments to Social Security Trust Funds totals \$20,470,000 and covers three general fund payments to the Social Security trust funds.

**Reimbursement for Pension Reform Administrative Costs**

Included in this request is a payment of \$6,400,000 in FY 2006 to reimburse the Old-Age and Survivors Insurance (OASI) trust fund for the cost of administering pension reform responsibilities assigned to the Social Security Administration under Public Law 93-406, the Pension Reform Act. The reimbursement is for the cost of furnishing information on deferred vested pension rights to pension plan participants or their survivors.

The request for FY 2006 is the same as the FY 2005 funding level and reflects the ongoing level of effort associated with this work, which flows from reports received from the Internal Revenue Service regarding individuals who have earned vested pension rights. In the event that actual expenses needed to process this workload exceed the amount available for reimbursement through this account in any fiscal year, the trust fund is made whole in the subsequent fiscal year upon enactment of the Payments to Social Security Trust Funds appropriation for that year.

**Unnegotiated Checks**

Also included in this request is a payment of \$14,000,000 in FY 2006 to reimburse the OASI and Disability Insurance (DI) trust funds for the value of interest on benefit checks that remain uncashed after 6 months. This payment is authorized by Section 201(m) of the Social Security Act and Section 152 of the Social Security Amendments of 1983 (P.L. 98-21). The request for FY 2006 is the same as the FY 2005 funding level. It supports the expected level of uncashed check activity and represents the estimated interest for unnegotiated OASDI checks.

Social Security checks are negotiable for only 12 months from their date of issue under the provisions of the Competitive Equality Banking Act of 1987 (P.L. 100-86). The face value of these checks is credited directly to the trust funds from the general funds when the checks are canceled. This account reimburses the trust funds for interest lost through the date of crediting at the following points in the check negotiation process: (1) checks that remain uncashed after 6 months; (2) checks that are cashed after 6 months; and (3) checks that are administratively canceled after 12 months.

**Special Payments for Certain Uninsured Persons**

The request before this Committee includes \$70,000 in FY 2006 to reimburse the OASI trust fund for the cost of special benefits paid to certain uninsured persons aged 72 years and over. The benefits are paid mainly to individuals who attained age 72 before 1968 and did not work long enough under Social Security to become insured. This payment covers benefits paid in FY 2004. The amount requested also includes reimbursement for related administrative expenses and interest lost to the trust fund.

The population receiving special payments is a closed group of very aged persons, and their number decreases annually. As of September 30, 2004, there were 9 persons receiving benefits under this program, as compared to 11 on September 30, 2003.

### **Coal Industry Retiree Health Benefits**

The request before this Committee does not include additional funds to reimburse the OASI trust fund for work carried out under Section 19141 of the Energy Policy Act of 1992 (P.L. 102-486), which established the "Coal Industry Retiree Health Benefit Act of 1992" (CIRHBA). CIRHBA requires the Social Security Administration to search earnings records of certain retired coal miners to determine which mine operators are responsible for payment of their health benefit premiums under the law. The Social Security Administration computes the premiums due based on a formula established in the Act, notifies the affected mine operators, processes appeals from operators who believe that assignments have been made incorrectly, and responds to and participates in litigation resulting from these agency determinations. Additional funds are not requested for FY 2006 because amounts remaining from the \$10,000,000 per year appropriated in FY 1996 and in FY 1997 will continue to be available until expended to reimburse the OASI trust fund.

**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Supplemental Security Income**

The Supplemental Security Income (SSI) appropriation provides funds for direct cash assistance to eligible aged, blind and disabled recipients to help finance their basic needs. The appropriation request for fiscal year (FY) 2006 is \$29,533,174,000 in addition to the \$10,930,000,000 appropriated for the first quarter of FY 2006 in the FY 2005 appropriation, bringing the total to \$40,463,174,000. This includes \$37,487,174,000 for Federal benefits to aged, blind and disabled beneficiaries, \$2,897,000,000 for payment to the trust funds, \$52,000,000 for beneficiary services, and \$27,000,000 for research and demonstration projects.

We are also requesting an advance appropriation of \$11,110,000,000 for the first quarter of FY 2007 to ensure that benefits will continue without interruption into the next fiscal year.

**Federal Benefit Payments**

The SSI program ensures a minimum monthly level of income to eligible aged, blind or disabled individuals. An individual's income, resources and living arrangements are evaluated to compute the monthly SSI payment. The average number of Federal SSI beneficiaries is expected to increase from 6,821,000 in FY 2005 to 7,020,000 in FY 2006, about 2.9 percent.

The total FY 2006 request for Federal benefit payments is \$37.487 billion, which along with \$715.8 million in funds carried over from FY 2004 and FY 2005, will fully fund SSI benefit obligations of \$38.203 billion in FY 2006. This is a decrease of about \$.4 billion from the current estimate of \$38.611 billion for Federal SSI benefit obligations in FY 2005 because FY 2005 includes 13 payments, while FY 2006 includes only 12. The benefit payment due for October 1, 2005 falls on a Saturday, so the payment will be made in September 2005, for a total of 13 benefit payments in FY 2005. Similarly, October 1, 2006 falls on a Sunday, so the payment will be made in September 2006.

Average monthly benefit payments will increase in FY 2006 primarily due to the annual cost-of-living adjustments (COLA). A 2.7 percent COLA was effective January 2005, and an estimated 2.3 percent COLA will be effective January 2006. The impact of these increases is partially offset by corresponding increases in Social Security benefits that count as income for SSI recipients and, therefore, result in a decrease in the SSI payment.

**Beneficiary Services**

This activity funds reimbursements to Vocational Rehabilitation (VR) agencies for rehabilitation services provided to SSI beneficiaries. It also funds payments to Employment Networks authorized under the "Ticket to Work and Work Incentives Improvement Act of 1999" (P.L. 106-170). SSA plans to obligate \$104 million for this activity in FY 2006. This represents an increase of about \$27 million from the FY 2005 obligation estimate of \$77 million.

The Ticket legislation allows SSI disabled recipients more flexibility in obtaining “return to work” services by providing them with a Ticket to offer an Employment Network of their choice in exchange for VR services, employment services, and other support services. The regulation to implement the Ticket to Work Program was published on December 28, 2001 and was effective January 28, 2002.

The Ticket program was rolled out in three phases. The graduated release of tickets to eligible beneficiaries began in February 2002. In this first phase of implementation, 13 States (representing 30 percent of the disability beneficiary population) participated. Implementation of the second phase began in November 2002, expanding the program to an additional 20 States and the District of Columbia. The third phase began in November 2003 and expanded the program to all States and U.S. territories by September 2004.

### **Payment to the Trust Funds**

The SSI and Social Security programs are administered on an integrated basis for purposes of economy and efficiency. The Social Security Act authorizes SSA to pay for SSI administrative expenses from the Social Security trust funds, through the Limitation on Administrative Expenses (LAE) account, with subsequent reimbursement from general funds through this appropriation. The FY 2006 request for this reimbursement is \$2,897,000,000. This amount will reimburse the trust funds for estimated FY 2006 SSI administrative expenses advanced from the trust funds. In the event that actual SSI administrative expenses exceed the amount available for reimbursement through this account in any fiscal year, the trust funds are made whole in the subsequent fiscal year upon enactment of the SSI appropriation for that year.

These amounts exclude funding made available in the LAE account from user fees related to SSA administration of State SSI supplementation payments. The LAE account assumes funding of \$131,000,000 from this source in FY 2006.

### **Research**

Sections 1110 and 1115 of the Social Security Act provide funding authority, including waiver authority for the SSI program where appropriate, for research and demonstration projects. Authority is provided for conducting both broad-based cross-program projects in the Social Security and SSI programs and projects dealing with specific SSI program issues. Section 1144 of the Social Security Act requires SSA to conduct outreach efforts to identify individuals who may be eligible for payment of the cost of Medicare under the Medicare Savings Program. The passage of the Medicare Prescription Drug, Modernization, and Improvement Act of 2003, P.L. 108-173, expanded the existing cost-sharing outreach requirements of section 1144 to include outreach to beneficiaries who may potentially be eligible for either the Medicare prescription drug card transitional assistance or the subsidized Medicare prescription drug coverage.

The \$27 million request for the FY 2006 extramural research program, along with \$20 million in funds carried over from FY 2005, will fund a range of activities, including projects to develop effective rehabilitation and return-to-work strategies, analyze reform proposals to ensure sustainable solvency, maintain and improve basic data about the Social Security and SSI programs and beneficiaries, and provide outreach to potential beneficiaries of the Medicare Savings Program and prescription drug subsidies. Some of the major research efforts are as follows:

Youth Transition Demonstration. This project will establish comprehensive approaches to support the successful transition of youth with disabilities from school to employment and maximum economic self-sufficiency. It will involve collaboration among education and other service delivery systems for youth with disabilities to design and implement sustainable improvements in current services and supports, and to test ways to remove other barriers to economic self-sufficiency.

Early Intervention. This study, which is under development, would test whether early intervention for DI applicants would help them to remain in the workforce and maintain financial independence rather than the alternative of long term dependence on disability benefits. Interventions would include a cash stipend, access to medical benefits, and a variety of employment supports.

Florida Freedom Initiative. The Florida Department of Children and Families has a waiver program with CMS targeting individuals with developmental disabilities. The waiver program allows individuals to obtain cash instead of certain Medicaid services to allow participants greater control in the planning and purchase of supports and services. SSA has waived certain SSI program rules to allow our beneficiaries to participate in the Florida Freedom Initiative. This project is expected to continue until FY 2007.

Evaluation of the Ticket to Work. This project will identify the most promising components of the Ticket to Work initiative, the most efficient incentive structure for the program, the refinements necessary to improve Ticket outcomes, and the individuals most likely to benefit from the program. In addition, the evaluation will assess the cost-effectiveness of the Ticket initiative and the net impact of this initiative compared to the previous system. The impact on beneficiaries will be measured in terms of employment, financial gain, and financial independence, while the impact on the Agency will be measured in terms of administrative and program costs.

Solvency Research. The research budget supports efforts to assess the economic and distributional impact of proposals for reforming Social Security and keeping it financially sustainable. Two key projects are:

- Retirement Income Modeling, which uses econometric and simulation models to provide policymakers with detailed information on the effects of changes in Social Security on individuals and the economy.
- The Retirement Research Consortium, which consists of three multi-disciplinary centers that perform research and evaluation of retirement policies, disseminate results, train young scholars and practitioners, and facilitate the use of SSA administrative data for policy research purposes.

National Survey of SSI Children and Families. This survey is designed to provide longitudinal data to assess the impact of past changes and to support analysis of possible future changes to the SSI program that may affect children and young adults. The longitudinal data will facilitate policy analyses that are not possible using a single cross-sectional survey.

Medicare Outreach. Medicare Buy-in Outreach, required by section 1144 of the Social Security Act, calls for SSA to provide notification to those potentially eligible for the Medicare prescription drug card transitional assistance and prescription drug subsidies under Medicare Part D. In addition, SSA is required to share lists of potential eligibles with State Medicaid agencies. The major objective of these projects is to increase enrollment of eligible low-income individuals into programs which assist Medicare beneficiaries with their out-of-pocket medical expenses, including prescription drugs.

Homeless Outreach Projects and Evaluation (HOPE). SSA's FY 2004 and FY 2005 SSI appropriations each provided \$8 million to conduct outreach to "homeless and other underserved populations." We will use these funds in FY 2005 to test ways of conducting outreach that makes use of external partnerships to improve services to disability applicants and that improves the quality of applications from homeless individuals. The purpose of the outreach is two-fold: to make individuals who may be eligible for benefits aware of them; and to provide special assistance to those who have difficulty completing an application or following through on it. We have entered into cooperative agreements with community-based entities that already have expertise in locating and engaging people with disabilities who are homeless.

**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Limitation on Administrative Expenses**

The Administration's fiscal year (FY) 2006 request for the Limitation on Administrative Expenses (LAE) account is \$9,403,000,000. This amount is less than 2 percent of the Agency's total program outlays. Included in this LAE request is funding for SSA's current operations, as well as funding derived from user fees. This request will allow SSA to implement an electronic disability claims process, continue to ensure the integrity of SSA programs, help administer the Medicare prescription drug plan, continue to increase SSA's overall productivity and continue progress in achieving the Commissioner's service delivery goals in the face of growing workloads.

The LAE request provides administrative resources for trust fund and some non-trust fund programs, including the Old-Age and Survivors Insurance, Disability Insurance (DI), and Supplemental Security Income (SSI) programs, the Medicare prescription drug program, certain other Medicare support functions, and Special Benefits for Certain World War II Veterans.

The President's LAE request of \$9.403 billion is an increase of \$670 million over SSA's budget authority for FY 2005. The LAE budget is driven primarily by the size of SSA's programs and their corresponding workloads, and the Agency's strategic goals. The year-to-year increase is related primarily to SSA's ongoing work on the Medicare prescription drug program and mandatory SSA and State Disability Determination Service (DDS) cost increases associated with higher costs for Federal and State employee salaries.

Almost half of the requested increase will be used to fund SSA's ongoing work related to the Medicare Modernization Act (MMA), in particular, the Medicare prescription drug program. When it passed the MMA in 2003, Congress included \$500 million for SSA's initial implementation of the act to be used in FY 2004 and FY 2005. SSA used \$54 million of that funding in FY 2004 and expects to use the remaining \$446 million in FY 2005. The FY 2005 appropriation for LAE included no MMA funding. Our responsibilities extend into FY 2006 and beyond, and the FY 2006 President's budget for SSA's LAE account includes resources to meet those responsibilities.

**Salaries and Operating Expenses**

The LAE budget request includes \$7.086 billion for Federal salaries and operating expenses, including Federal pay raises and benefit increases. This amount is associated with the staffing levels needed to process projected workloads. SSA relies on a mix of full-time equivalents and overtime to achieve its total workyears. This budget supports 66,705 workyears – a decrease of 2,059 overtime workyears from FY 2005, which included over 2,800 workyears that were funded by the separate MMA funding source.



### **State Disability Determination Services**

The LAE budget request includes \$1.823 billion for operating expenses for the State DDSs. This represents a net increase of \$54 million in FY 2006, primarily to fund State pay raises and higher costs for medical evidence. SSA estimates that about 2.605 million initial disability claims will be processed by the DDSs in FY 2006. In addition, SSA will continue its focus on program integrity by conducting periodic Continuing Disability Reviews.

### **Information Technology Systems**

The LAE budget request includes \$494 million in budget authority for Information Technology Systems (ITS) in FY 2005, an increase of \$124 million over the President's budget for FY 2005. This total includes funding for direct IT costs required for the implementation of the Medicare Modernization Act. The ITS budget provides for the acquisition and maintenance of automated data processing and telecommunications hardware and software, as well as related contractual services. These funds will help expand the range of services SSA offers electronically and support key automation initiatives, such as the electronic disability process, as well as provide for ongoing operations and maintenance activities and upgrading information technology infrastructure.

### **Program Integrity Activities**

The President has proposed budget enforcement legislation that would place caps on net discretionary budget authority and outlays in FY 2006 and FY 2007. The legislation would allow adjustments to these caps for spending above a base level of funding for several Government-wide program integrity activities, including SSA's Continuing Disability Reviews (CDR).

In FY 2006, the LAE request includes an earmarked total of \$601 million for CDRs. The request also specifies that upon enactment of discretionary spending caps, \$189 million of SSA's budget request would not count towards the overall cap on discretionary budget authority.

CDRs are the most effective mechanism SSA has for determining whether DI and SSI disability beneficiaries have medically improved or continue to meet the statutory definition of disability. CDRs are a proven, sound investment – yielding \$10 in program savings for every \$1 spent.

### **User Fees**

The FY 2006 LAE request includes up to \$131 million in funding from user fees that are paid by States for Federal administration of SSI State supplementation payments. This is a \$7 million increase from the FY 2005 President's budget. Funding derived from the user fees helps cover the costs of administering State supplementation payments. The FY 2006 LAE request also includes up to \$3.6 million in fees for certification of non-attorney representatives, as provided in section 303(c) of the Social Security Protection Act.

### **New Medicare Workloads**

SSA will play a substantial role in the implementation of the Medicare Modernization Act—specifically, the Medicare prescription drug benefit. SSA includes resources to support this work in the LAE request. SSA expects to process 2.5 million Part D subsidy assistance applications in FY 2006, as well as other ongoing work related to the Medicare prescription drug program, such as 800-number inquiries and subsidy reviews.

### **Conclusion**

This budget request of \$9.403 billion for the LAE account provides the administrative funding necessary to enable SSA to continue providing monthly benefit payments and related services to more than 53 million people, while:

- Implementing an electronic disability claims process;
- Continuing to ensure the integrity of SSA programs;
- Helping to administer the Medicare prescription drug plan;
- Continuing to increase SSA's overall productivity; and,
- Continuing progress in achieving the Commissioner's service delivery goals in the face of growing workloads.

**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Office of the Inspector General**

**Background**

As part of the Social Security Independence and Program Improvements Act of 1994, SSA was provided with its own statutory Inspector General. As mandated by the Inspector General Act of 1978, as amended, the Office of the Inspector General's (OIG) mission is to protect the integrity of SSA's programs. The OIG is directly responsible for promoting economy, efficiency and effectiveness in SSA programs and detecting and preventing fraud, waste and abuse. This mission is carried out through a nationwide network of audits and investigations. In conducting audits and investigations, the Inspector General works closely with both the Congress and SSA to improve program management.

**Budget Request**

The fiscal year (FY) 2006 appropriation request for the OIG totals \$93,000,000. This includes \$26,000,000 to be appropriated from general funds and \$67,000,000 to be transferred from the Social Security trust funds. OIG's FY 2006 budget request provides funds for the current operating expenses of its programs, including:

- \$78.6 million for salaries and benefits; and
- \$14.4 million for other operating expenses such as rent, travel, service agreements, investigative equipment, and supplies.

This request is a \$2.6 million (2.9 percent) increase above the FY 2005 enacted budget level. This increase covers the costs of mandatory payroll increases including Federal pay raises, within-grade increases, benefit rate increases for health benefits, and higher costs for newer employees hired under the Federal Employees' Retirement System (FERS).

The budget request is driven primarily by costs (including salaries, benefits, rent and core services) associated with supporting the staffing levels needed to conduct audits and investigations. The FY 2006 request continues to support a staffing level of 625 workyears. With the resources included in this request, OIG will continue to support ongoing major initiatives that focus on key areas such as Social Security number integrity and protection. OIG will also continue to aggressively pursue anti-fraud activities on a variety of fronts. The Cooperative Disability Investigation Program will continue to investigate disability program fraud while other personnel will combat improper OASDI and SSI payments by continuing efforts on the Fugitive Felon Project.

**Conclusion**

FY 2006 will continue the ongoing challenges faced by the OIG as well as bring new opportunities to fulfill its mission. This budget request provides funding to enable the OIG to carry out that mission and support SSA's efforts to seek efficiencies, avoid erroneous payments, and combat fraud.